

Economics

Course Handbook



Teachers:

Mr Daniels and Mr Grimmett

AQA [Specification](#) 7136

Welcome to Economics

Economics is a **SOCIAL SCIENCE**

It studies interaction between human beings in a scientific way.

The focus of Economics is how we as society and as individuals deal with the fundamental problem of human existence:

We can't have everything we want.

Why not?

1. Human beings have a limitless set of wants.
(It is, in part, our capacity to imagine so many new things we want that marks us out from other animals).

But

2. *The Earth has a finite (i.e. limited) set of resources.*

As a result, the earth cannot satisfy all human wants. This is known as **SCARCITY**.

As individuals and as a society we must choose which of these wants to satisfy and which to leave unsatisfied. Once we have made the choice, we must allocate the Earth's **SCARCE RESOURCES** accordingly

Economics has only one aim:

To try and find the best way to allocate the earth's scarce resources so that the maximum possible wants are satisfied. If we can achieve this, it is said to be **EFFICIENT**.

We take a scientific approach to finding the most efficient use of resources, by studying data on inputs and outputs, and creating **MODELS** of the way the world works. These models are simplifications of the complex interactions of human beings.

We make a number of **ASSUMPTIONS** about the objective of the **ECONOMIC ACTORS** and then follow the logic of how they will react to the situation we are studying.

E.g. 1 Simple Model

- Let us assume that a worker wishes to maximise their income.
- We could create a simple model that has two employers.
- The income-maximising worker will accept a job with the employer offering the higher salary.

E.g. 2 Complex (i.e. more realistic) Model

- Let us assume a worker wishes to maximise their happiness. They currently work a 40-hour week (8 hours 5 days a week) and earn £10 per hour (£400 total).
- Would they be willing to give up another hour of leisure time to earn another £10, if they have already lost 40 hours?
- We can create a model of worker behaviour where the decision changes depending on how many hours they have already given up.

How to be an Economist

As with all social sciences, you need to be multi-skilled. In particular, you will need:

Data-handling

You need to be able to look at a range of data and find meaning, changes and patterns, which will allow you to apply an Economic Model you have studied to the situation or create one of your own. Look at the following data

Example 1

The price of the Times Newspaper was cut from 45p to 20p
Circulation (daily sales) rose from 765,890 to 1,073,910 within six months

What can we deduce from this data?

Example 2

Look at the graph on the right.

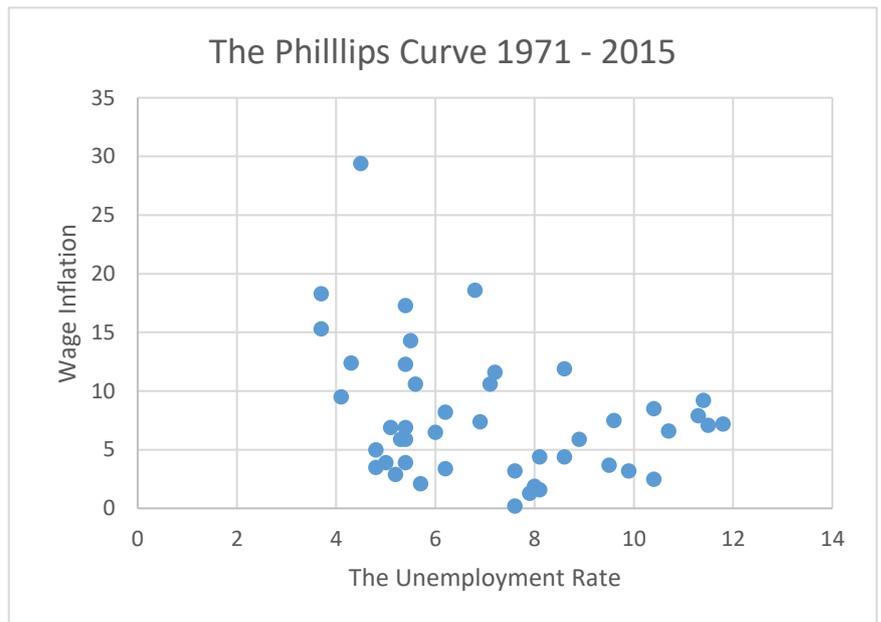
What can you say about the relationship between the Inflation Rate¹ and the Unemployment Rate²?

¹ *The percentage by which wages go up on average in a year*

² *The percentage of people who want a job that do not have one*

Comprehension

Every unit examination has a data response section. This means that you will have text to read as well as data to interpret.



You will need to be able to pick out the main ideas in an article and spot the key economic concepts, whether referred to specifically or not. This is a skill we will practice over the course.

Identify the economic concepts (in bold on the previous page) from the article below

A question of skills or scholars

Mike Baker (**bbc.co.uk** 11th July 2013)

Which do we need most: more university graduates or more adults trained in technical or craft skills? The easy answer is "both". But let us suppose, just for the day, that you are the Chancellor of the Exchequer and you must decide which is your spending priority. Your civil servants would not expect you to make this choice without some facts. So here are some that were put in your red box.

The UK has one of the highest graduation rates. According to the OECD, 38% of the typical age-group achieves a first degree in the UK. The average for industrialised countries is just 26%.
So we are already doing well at producing university-educated workers.

But the picture is not so good at the lower, intermediate skills level.

According to this week's white paper (*21st Century Skills: Realising Our Potential*) we lag behind in the proportion of our workforce who are qualified at apprenticeship, skilled craft and technician level.

In the UK, just 28% of the workforce has these skills. By contrast, in France it is 51% and in Germany 65%. This could explain why productivity is 25-30% higher in France and Germany than in Britain.

Writing

Economics is the study of how we can most efficiently use our scarce resources. Time, ink and paper are scarce in an examination, so they should not be wasted.

A good piece of economic writing gets every point across clearly with the minimum of words. To do this you need to:

- Plan what you write

A good plan for an extended answer would include

- | | |
|-----------------------|---|
| Introduction - | clarifying terms of reference, defining terms, explaining why the question is important. |
| Point 1 - | Theory, data supporting theory, analysis of outcomes, with diagram (see below), evaluation of importance |
| Point 2 | } as point 1 |
| Point 3 | |
| Point 4 | |
| Conclusion - | explaining why on balance, point 2 is the most important and outweighs the others. Actually answer the question |

- Learn clear and concise definitions of economic terms
- Use diagrams to illustrate your point

Drawing Diagrams

We tend to use stylised sketch diagrams to illustrate our models

e.g.

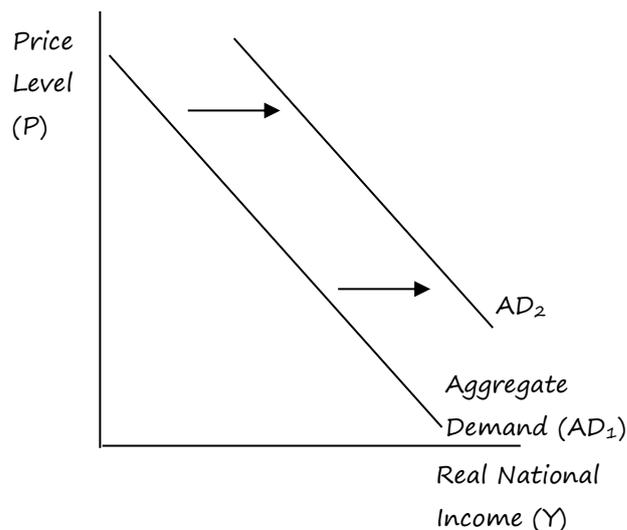
As the general price level rises (i.e. there is inflation), so Aggregate Demand (AD) falls.

Thus, the AD curve is downward-sloping.

If there is a fall in interest rates then firms and households will borrow to spend. This increases the level of Aggregate Demand at all price levels.

AD_1 shifts to AD_2

This diagram is clear, well labelled and is fully explained in the text on the left

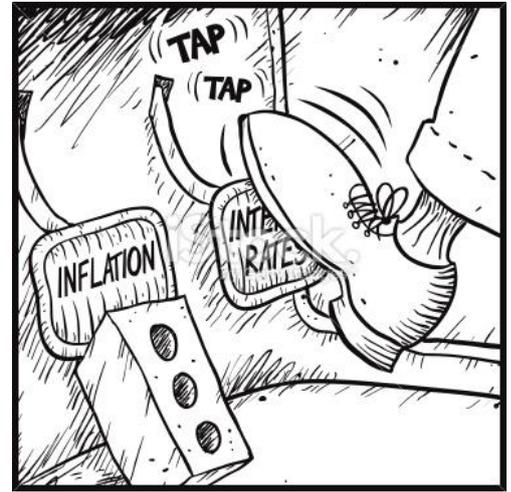


Economics lessons

You need to come to economics lesson prepared.

You will need with you, for every lesson:

- Lined paper
- Pens (black ball pen as this is the requirement for examinations, plus spares)
- A pencil (with rubber and sharpener)
- A calculator (your GCSE Maths calculator is fine)
- A ruler (15cm is fine)
- Your folder with notes from previous lessons

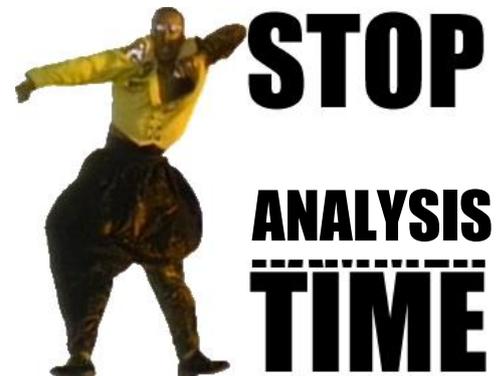


In lessons, you will need to take notes of the definitions, data and analysis presented by the teacher. You will also practice drawing the sketch diagrams we use to demonstrate our models.

Be prepared to ask questions. Many aspects of economics are quite puzzling at first. It is essential that you are happy with your own understanding before the class moves on.

You will also have data and news articles to work with, which will require you to apply skills outlined by your teacher. Your understanding of these may be tested by classroom question and answer sessions, written work handed in or presentations made to the rest of the group.

Everyone will be expected to contribute to discussions and by presentation analysis in lessons.



Homework

You are expected to match time in lessons with equal time away from them.



"Tell me the fairytale about the economy."

You will get a written homework every week. As the course progresses these will be past examination questions. This should take up half of your homework time.

Your written homework will be marked and returned to you within one week. It will be marked according to the assessment objectives

In addition you will be set independent study tasks. As the course progresses you will take control of setting your independent study tasks and their objectives

Independent study

You will need to purchase the course Textbooks: [Economics 1](#) and [Economics 2](#)

You should use the independent study time to

- Write up your notes, using the textbook to supplement notes taken in class and preparing for spot-check tests
- Read around the subject:
 1. In the serious press:
 - i* is available in the library
 - The Economic Review magazine (also in the library)
 2. Watching news programmes:
 - BBC News 24, Bloomberg News and main news bulletins
 3. In the school library Economics section (see below). You may find Business, Geography, Politics and History useful as well
 4. The internet (in order of first use):
 - Very good for basic theory:**
tutor2u.net, economicshelp.org, economicsonline.co.uk,
YouTube channels
[MRUniversity](#), [PAJHolden](#), [Khan Academy](#), [EconPlusDal](#), [jodiecongirl](#)
 - Reading around the subject:**
[Twitter.com](https://twitter.com/countyeconomics) Follow @countyeconomics
[Sloman Economics](#)
bbc.co.uk (The News/Business section)
Economist.com
 - Working on your own stuff:**
statistics.gov.uk, hm-treasury.gov.uk, dti.gov.uk, bankofengland.co.uk, oecd.org
 - Where you can go next:**
whystudyeconomics.ac.uk
- Look out for examples of economics at work in the real world (e.g. look at prices of petrol at different petrol stations, ask your parents about their mortgage rates, compare the wages you and your friends get for part-time jobs etc.)

Library Books

The list below is a selection of the books available to borrow from the library

A History of Economic Thought	William J Browne	330.9
Freakonomics ¹	Steven Levitt	330
Globalization and its Discontents ¹	Joseph Stiglitz	330
The Armchair Economist ¹	Steven E Landsberg	330
Everlasting Lightbulbs ¹	John Kay	330
On Liberty ²	J.S. Mill	321
Nudge ¹	Thaler and Sunnstein	330.1
The Undercover Economist¹	Tim Harford	330
The Travels of a T-shirt in the Global Economy ¹	Pietra Rivoli	330
Happiness	Richard Layard	330
The Wealth of Nations ²	Adam Smith	330.1

¹ – Recent bestsellers (*Undercover Economist* is a must-read)

² – Classics

Films to watch:

Trading Places, Wall Street, Erin Brockovich, Margin Call, Rogue Trader, Too Big to Fail, Love and Other Drugs, It's a Wonderful Life, The Big Short

Core Independent Learning Tasks

At all times, you have four **core** Independent Learning Tasks to be doing. They will be checked on a four-weekly basis:

1. Read the chapters in the textbook (see teaching schedule on Page 7 and 8) and use them to improve/add to your notes
Folders will be taken in every 8 weeks (see teaching schedule) to check this
2. Answer the end of chapter questions
These are to be handed in when the relevant topic is completed
3. Fill in the Green sheet pages of Economics definitions
4. Fill in the Pink sheet pages of Economic diagrams

In addition, every fortnight there will be a flipped-lesson preparation task where you will be specifically instructed to prepare for a lesson by reading around a particular subject and gathering data, to be able to present your findings to the class.

There will be formally marked homework consisting of past-paper questions every fortnight

Deadlines

You will always have independent study tasks in addition to past paper or data-handling homework
These are to be handed-in in the following way:

1. **Chapter Questions** – all textbook chapters have end of chapter questions. They are to be completed and handed in to the relevant teacher either written or word-processed.
In either case all diagrams must be completed by hand (leave a space in your word-processing or draw them on a separate sheet of lined A4)
To be handed in as directed by your teacher when a topic has been completed
2. **Green Sheets** – Write a definition you understand and can reproduce in the space. Start by looking in the glossary at the end of the Micro and Macro sections of the textbook. If you do not understand those, go to the websites on page 6 of this handbook. Do not just Google it. Many terms we use have other meanings to non-economists.
On the last lesson of the fortnight shown you will need to present the Green sheet page and there will be a definition test
3. **Pink Sheets** – Draw the diagram and write the logical chain of argument that explains it alongside. On the last lesson of the fortnight shown you will need to present the Pink sheet page and a group will be invited to present a diagrammatic analysis to the class
4. **Multiple choices** – To be completed online using Microsoft Office 365 Forms. Mr Daniels will send you the links to the form and a pdf of the questions every fortnight

Folder Review – Approximately, once per half term, on the date given bring in your complete economics folder. Mr Daniels will check for notes from lessons and the book as well as organisation

Expectations

What we expect from you

1. Full attendance at lessons
2. Arrive fully prepared for every lesson
 - a. Economics folder
 - b. Writing equipment
 - c. Independent study tasks complete
 - d. Homework ready to hand in
3. Contribute to lessons, by listening, thinking and speaking in class and group discussions
4. Take notes in lessons as instructed
5. Complete in-class written activities
6. Use independent study time to improve your notes, understanding and skills
7. A well organised folder, divided into:
 - a. Notes with subsections for Microeconomics and Macroeconomics
 - b. Independent study tasks
 - c. Green and Pink sheets
 - d. Marked homework
 - e. DIRT sheets
8. Know what is going on in the real economy
9. Complete all homework to the best of your ability
10. Complete all homework to the deadline
11. Achieve at least your ALPS predicted grade

What you can expect from us

1. Well-prepared lessons
2. Up to date and relevant materials
3. Models of how to write answers to tasks in economics
4. Written work returned within a week
5. Written work marked in accordance with AQA assessment criteria (see below).
6. Commentary on written work explaining how to improve it
7. Extra assistance as required

Assessment objectives

Assessment objectives (AOs) are set by Ofqual and are the same across all A-level Economics specifications and all exam boards.

The exams will measure how students have achieved the following assessment objectives.

- AO1: Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues
- AO2: Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues
- AO3: Analyse issues within economics, showing an understanding of their impact on economic agents
- AO4: Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues

Year 12 (Microeconomics) Course Content

1 Economic methodology and the economic problem

- 1.1 Economic methodology
- 1.2 The nature and purpose of economic activity
- 1.3 Economic resources
- 1.4 Scarcity, choice and the allocation of resources
- 1.5 Production possibility diagrams

2 Individual economic decision-making

- 2.1 Consumer behaviour
- 2.2 Imperfect information
- 2.3 Aspects of behavioural economic theory
- 2.4 Behavioural economics and economic policy

3 Price determination in a competitive market

- 3.1 The determinants of the demand for goods and services
- 3.2 Price, income and cross elasticities of demand
- 3.3 The determinants of the supply of goods and services
- 3.4 Price elasticity of supply
- 3.5 The determination of equilibrium market prices
- 3.6 The interrelationship between markets

4 Production, costs and revenue

- 4.1 The determinants of the demand for goods and services
- 4.2 Price, income and cross elasticities of demand
- 4.3 The determinants of the supply of goods and services
- 4.4 Price elasticity of supply
- 4.5 The determination of equilibrium market prices
- 4.6 The interrelationship between markets

5 Perfect competition, imperfectly competitive markets and monopoly

- 5.1 Market structures
- 5.2 The objectives of firms
- 5.3 Perfect competition
- 5.4 Monopolistic competition
- 5.5 Oligopoly
- 5.6 Monopoly and monopoly power
- 5.7 Price discrimination
- 5.8 The dynamics of competition and competitive market processes

- 5.9 Contestable and non-contestable markets
- 5.10 Market structure, static efficiency, dynamic efficiency and resource allocation
- 5.11 Consumer and producer surplus

6 The labour market

- 6.1 The demand for labour, marginal productivity theory
- 6.2 Influences upon the supply of labour to different markets
- 6.3 The determination of relative wage rates and levels of employment in perfectly competitive labour markets
- 6.4 The determination of relative wage rates and levels of employment in imperfectly competitive labour markets
- 6.5 The Influence of trade unions in determining wages and levels of employment
- 6.6 The National Minimum Wage
- 6.7 Discrimination in the labour market

7 The distribution of income and wealth: poverty and inequality

- 7.1 The distribution of income and wealth
- 7.2 The problem of poverty
- 7.3 Government policies to alleviate poverty and to influence the distribution of income and wealth

8 The market mechanism, market failure and government intervention in markets

- 8.1 How markets and prices allocate resources
- 8.2 The meaning of market failure
- 8.3 Public goods, private goods and quasi-public goods
- 8.4 Positive and negative externalities in consumption and production
- 8.5 Merit and demerit goods
- 8.6 Market imperfections
- 8.7 Competition policy
- 8.8 Public ownership, privatisation, regulation and deregulation of markets
- 8.9 Government intervention in markets
- 8.10 Government failure